



australian
nursing federation

Australian Government Department of Health and Ageing

Review of the Conditional Adjustment Payment

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Introduction

The Australian Nursing Federation (ANF) was established in 1924. The ANF is the national union for nurses and midwives and assistants in nursing, with Branches in each State and Territory of Australia.

The ANF is also the largest professional organisation in Australia, with a membership of over 170,000 nurses and midwives, employed in a wide range of enterprises in urban, rural and remote locations in both the public and private sectors. The ANF's core business is the industrial and professional representation of our membership.

The ANF participates in the development of policy in nursing, nursing regulation, health, community services, veteran's affairs, education and training, occupational health and safety, industrial relations, immigration and law reform.

The ANF has long been concerned with the quality of care in aged care and its relation to employment standards for nurses and nursing care staff (however titled) in that sector. Since the inception of enterprise bargaining, wages for aged care nurses have been significantly affected as effective bargaining has been difficult in such a segmented and 'cottage' style sector. A significant wages gap now exists between nursing care staff in the aged care sector and their colleagues in other health sectors such as acute care.

The wages gap is now widely accepted as a major issue for the sector and has been cited as a concern in almost every report - government and otherwise - that deals with aged care. It is now obvious that it is very difficult for the sector to compete for nursing labour in a tight labour market. Contrary to expectations, the demand has not been a driver of wages; rather the sector has turned to less expensive, less qualified workers. This phenomenon is worrying, particularly when considering the care needed in nursing homes where 70% of residents are now classified as high care.

There is widespread support from providers and unions alike to take affirmative action to close the wages gap in order to secure appropriate levels of adequately qualified nursing staff. Federal government budgetary initiatives, including the introduction of the CAP, have been implemented to mitigate the situation. As reported in the recently published Productivity Commission's research paper 'Trends in Aged Care Services: some implications'¹:

...there have been several government initiatives directed at enhancing the capacity of the residential aged care sector to offer competitive wages relative to the acute care sector. These began with the allocation of \$211 million over four years in the 2002-03 Budget (Andrews 2002b). In addition the Conditional Adjustment Payment (CAP) provided a further \$877.8

¹ Productivity Commission. 2008. *Trends in Aged Services: some implications*. Australian Government.

million over four years from 2004-05. ...this package was pitched at encouraging residential care providers to 'pay competitive wages' and improve flexibility of staff training arrangements.

...Despite these initiatives, wage differences between the aged care and acute care sectors have not narrowed. pp 145-146

Terms of Reference part 'a'

It was clear at the time of the 2004-05 budget announcement that the CAP payment was in part directed towards closing the wages gap, but unfortunately there was no mandated requirement for aged care providers to direct the extra funding to paying higher wages to staff. Indeed this original intent has been somewhat lost in recent years and even the terms of reference of this review make no mention of it. However, it is obvious that the CAP has been completely ineffective in addressing the wages issue.

Lack of accountability and transparency of the actual acquittal of the CAP funding makes it impossible to ascertain exactly how it is expended. We do know some providers argue it is necessary for them to be able to offer 'extra services' such as diversional therapy and daily newspapers to residents. We have no difficulty with residents being offered such 'extras' but it was clearly not the intent of the CAP to be used in this manner.

It is beyond the ability of the ANF to comment on the CAP's effectiveness with respect to workforce training, as we have no access to data or reports from providers regarding this issue. The publication of the National Institute of Labour Study's Survey and Census report, due to be released later this year, might well shed some light on this. Anecdotally our members inform us that accessing training of any sort is often difficult due to backfilling issues, time constraints and short staffing.

Uptake of scholarships in aged care provided by the government has been sluggish and indeed timelines for acceptance have had to be extended due to lack of interest. With little or no incentive other than personal development there is no wonder that further educational opportunities are not accessed. Career structures and qualifications allowances that reflect educational efforts need to be implemented in order for the further training to be valued and recognised.

The requirement to make audited general purpose financial reports available each year to residents, potential residents, their representatives and any person or agency authorised by the secretary of the department is also something we cannot comment on. It is almost impossible to ascertain the true financial status of aged care facilities from the ANF's

perspective. Many aged care providers constantly report being in dire financial difficulty, unable to pay decent wages and provide decent working conditions, but as workers' representatives we have no detail or evidence to show this is the case.

Certainly, we have seen some facilities close due to financial situations, but again it is difficult to ascertain exactly how the finances of these facilities had been managed. In recent incidences of this nature it appears there may have been some questionable activities at a management level leading to the stripping of assets that eventually forced closure. As a result, our members have lost entitlements to the value of hundreds of thousands of dollars in superannuation savings, long service leave entitlements and wages. Residents and their families have been placed in terrible situations creating anxiety and uncertainty about their futures and in some cases the security of their bonds. Moreover the impacts on highly skilled and qualified nursing staff when this situation arises often results in experienced nurses leaving the sector for more secure and financial rewarding positions in the public or private acute health sectors or leaving the profession entirely. Unqualified workers then need to seek alternative employment with another provider, if indeed that is possible, as in rural or remote areas there may be no alternative employment option available.

As a publicly funded sector, it is imperative that real accountability and transparency of government funds be enforced with standard accounting procedures being mandated as a matter of top priority.

We believe that the workforce census requirement has been adhered to by the providers and support this important research.

Who would know if periodic reports are made to the department regarding compliance or not?

Terms of reference part 'b'

It is fair to say it would be difficult for the sector to now do without the funding provided by the CAP and the ANF would not support withdrawing that money from the sector. The ANF supported a letter to the Minister for Ageing in June 2008 by the National Aged Care Alliance regarding the CAP review. That letter asserted that the Commonwealth Own Purpose Outlays (COPO) index is inadequate as a funding measure and does not reflect the true movement of costs in the sector. The Hogan report concurs with this view. It is timely to review the indexation mechanisms that determine the overall funding for aged care, both in residential and community settings.

The ANF recognises the complexity of issues that face the industry including capital costs, rural and regional cost factors and the effects of economies of scale. However, we also warn against the call for deregulation. Whilst we would support a review of the bed allocation process, deregulating the sector in favour of 'true competition' is not the answer. It will further divide the sector on a 'have and have nots' basis that will create a two tiered system of aged care provision. Aged care is an important part of the health care sector. As the population lives longer, health care needs of the elderly reflect the chronicity of disease and the available evidence suggests more acute care episodes develop as chronic conditions exacerbate. It is a prime attribute of Australian society that we value equity of access to health care and the aged care sector cannot become an even 'poorer cousin'.

A robust and efficient private sector can still be part and parcel of an equitable and just aged care system providing choice, but not at the disadvantage of those who choose or are unable to choose that option. Deregulation is not a viable option to improve efficiencies in the sector.

Any further financial assistance however, be it through the continuation of the CAP or through improving the indexation mechanisms beyond the COPO, must be tied to improving wages for aged care workers. There needs to be a transparent and accountable mechanism that ensures providers will pay competitive wages with any extra money offered by the government. The ANF has offered and continues to offer resources to work with industry and government to establish what that mechanism might look like and how it could be implemented over time.

'...what nursing home and hostel operators should be asked to do in order to receive CAP funding'

It is the firm view of the ANF that industry providers need to collaborate with unions, consumers and government to establish an ideal benchmark of care that categorically provides for minimum staffing levels, minimum skill mix of nurses and carers and ultimately comparative wages. We are under no misapprehension that this will be an easy task but it is now necessary to avoid a looming crisis in the sector and must be made a condition of receiving the CAP or extra funding.

In the meantime however the government must ask for complete transparency and accountability of government funds in the sector, mandating standard accounting methods and regular reports.

In addition an immediate injection of funds for the sole purpose of closing the wages gap is essential. These funds must be tied to that outcome and acquitted for in a reasonable time by the provider. It would be optimal that the funds are tied to an industrial instrument for the safety and confidence of the workers in aged and

community care. The ANF has provided the Minister with an estimate of the costs of closing the wages gap, but are happy to provide it again if necessary. Our estimates are quoted in the Productivity Commission's Research Paper, 'Trends in Aged Care Services: some implication', September 2008.

Conclusion

In 2008-09 the Australian Government is providing an estimated \$6.7 billion to support the provision of residential aged care. As part of this funding it is paying a Conditional Adjustment Payment (CAP) worth an estimated \$473 million in 2008-09 to eligible care providers to encourage efficiency, including improved management practices. The government must ensure aged care providers quarantine this money to close the wages gap in the aged care sector to ensure a highly skilled, professionally educated nursing workforce.

Also in the 2008-09 budget the Australian Government provided an additional \$407.6 million over four years to increase the level of the CAP to 8.75% ongoing. This means that the total funding for the CAP over the next four years is estimated to be more than \$2billion.

The ANF supports the principle objective of establishing and implementing a national wages benchmark in residential aged care that provides comparative wage rates between nursing and care staff working in residential aged care and nursing and care staff working in the public and private acute care sector. The levels of remuneration and conditions of employment of nurses and care staff in residential aged care are fundamental to the ability of employers in the sector to recruit and retain nursing and care staff. Accountability mechanisms must be developed to prevent the diversion of funding away from closing the wages gap.

A benchmark must also be established to ensure that staffing and skills mix levels in residential aged care facilities and in community care are maintained at a minimum standard.

Access to the CAP or extra funding to close the wages gap must also be contingent upon employers entering into a collective industrial instrument which establishes and maintains comparative wages and commits the parties to an agreed benchmark of care that stipulates minimum staffing levels and skills mix in the sector.

Again, we appreciate the opportunity to contribute to the Review of the Conditional Adjustment Payment and look forward to the outcome.